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Government Discusses the Future of the Russian Fishery Sector

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Report Highlights:

The International Conference on Aquaculture was held on October 8, 2014, during the agricultural show Golden Autumn in Moscow. During the conference Government officials, fishermen, producers and research institutions discussed approaches to the development of the Russian Fishery Sector, as proposed in the government program through 2030.

General Information:

The International Conference on Aquaculture was held on October 8, 2014, during the agricultural show Golden Autumn in Moscow. During the conference Government officials, fishermen, producers and research institutions discussed approaches to the development of the Russian Fishery Sector, as proposed in the government program through 2030.

In the beginning of the conference, Deputy Minister of Agriculture of the Russian Federation, and the Head of the Federal Fishery Agency (Rosrybolovstvo), Ilya Shestakov, noted that aquaculture production worldwide is developing quickly. Worldwide, aquaculture's share of the total world fish market has almost reached 50 percent. However, even though Russia has enormous potential for aquaculture production, it is significantly lagging behind the rest of the world. Aquaculture production in Russia as a percentage of overall food industry production in Russia, is estimated at only three or four percent. Moreover, the growth in aquaculture production for the last decade has only been between 130-150 TMT.

Experts have projected that Russia's potential aquaculture production could reach as high as 1 MMT. The Head of Rosrybolovstvo also stated that commercial aquaculture "has been in the shade" for a long time and now it is in primary stage of development. The Russian government supported the sector by approving the Federal Law "On Aquaculture" that came into force in 2014. The GoR has also developed a number of other measures, such as a mechanism for providing subsidies for short-term and long-term loans. However, the law will not be fully implemented before certain normative acts and regulations are developed and approved by the competent government agencies.

Another important issue that Ilya Shestakov raised at the conference was the necessity to form a competent strategy for the overall development of the fishery industry. He believes that the existing program does not have enough focus on an investment component. Additionally, Shestakov believes that with a change in the political environment and international conditions, which can have long-term consequences, it is necessary to consider a new development program for the fishery sector until 2030. Ilya Shestakov informed the participants that Rosrybolovstvo has consulted with a number of experts in the fishery industry in an effort to work out a long-term strategy for the development of the Russia's fishery sector.

One of the speakers, Aleksander Pecherskiy, General Director of the consulting company "Alt" reported on a number of fundamental issues that the government needs to address in close interaction with fishermen, producers, businesses and trade. These challenges include:

1. Fishery harvest – whether Russia's wild catch level is adequate or whether it should be increased? And if so, whether natural resources can support an increase?
2. Processing – whether Russia benefits from increasing domestic processing of fish, or whether it is better to import processed fish products?
3. Whether developing specific niches provides value-added for Russia (i.e; aquaculture or fish farming)?

4. Aquaculture – is it a niche or is it a critical part in the development of the fishery sector?
5. Should Russia maintain its current quota distribution system or develop a new one?

Note: On August 12, 2008, Prime Minister Vladimir Putin signed resolution #602 “On approving the rules for auctions of industrial fish quotas and water biological resources and their shares in the total quota for commercial fishing.” According to the new resolutions starting from August 2008, quotas are allocated for the period of ten years based on Fishery Register data on the volume of aquatic bioresources caught by such persons or organizations during the previous four years. The next distribution will take place in 2018. Please refer to GAIN Report for more details.

<http://fasintranetapps-gain.fas.usda.gov/Applications/FileDownload.aspx?FileID=10287>

6. Should Russia stimulate more fish consumption in Russia and, if so, how?
7. Improvement of Russia’s regulatory mechanism for fish – where should regulations be softened and where should regulations be strengthened?

In an effort to address these issues the government will need to complete a detailed analysis of the Russian fishery sector which considers a number of factors, including: compliance in the sector to the requirements of the Russian Food Safety Doctrine and potential capacity to adjust imports and exports in response to internal and external threats to the food market. Also, this detailed analysis will need to include a determination of the maximum capacity of the Russian industry to increase its catch of various fish species, the historical efficiency of the quota distribution system, and measures to control catch. The research will determine the potential for fleet developments, port infrastructure and processing facilities. Another focus of the new program will be increasing financial support in aquaculture science and research. In addition to the issues listed above, the report will study prospects for investment activity in the fishery sector, including analysis of payback period and investment rate of return and also an assessment in the level of state support needed. The study will also include a comparative analysis based on key indicators of the fishery sector with other industry sectors in Russia, as well as the same industries in foreign countries.

State Duma member, Elmira Glubokovskaya, said that in order to achieve import substitution in the sector, catch in the open seas would need to be increased and aquaculture production would need to be increased three to five times current production, in the near-term. She also noted that there are two major components that already exist to start increasing aquaculture development, such as Federal Law on Aquaculture and State Program for the Development of the Fishery Sector. However, there are also serious obstacles, such as low investment attractiveness in the sector, outdated equipment and infrastructure, and a heavy dependence on imported feeds. Almost 90 percent of feeds for the aquaculture sector are imported, primarily from Netherlands, Germany and France. Feed for fish consists from a variety of ingredients, including fishmeal, soybean meal, corn and wheat gluten.

In the closing remarks Ilya Shestakov concluded that the objective of Rosrybolovstvo is to create a Program that will ensure quality growth in the sector – a breakthrough. He also encouraged the fishery community, including trade and production associations, to get more involved in a discussion of the new long-term strategy for the fishery industry.

At a Glance Aquaculture in Russia

Wild Production and Catch

According to Rosrybolovstvo, aquaculture production in Russia reached 163,000 MT in 2013, a relatively small amount when compared to Russian wild catch which was 4.15 MMT in 2013.

Rosrybolovstvo reports that for the period January 1 - July 22, 2014, Russian fishermen harvested 2,341 million MT of fish and seafood, or 1 percent increase versus the same period in 2013.

According to Rosrybolovstvo, in the Far Eastern Basin during January 1 – July 22, 2014, Russian fishermen harvested 1.608 million MT of fish and seafood, which is 57,600 MT higher than in the same period in 2013. Pollack catch is estimated at 1,135 million MT, up 40, 400 MT versus 2013.

--In the Northern Basin, the total catch for the period since January 1 – July 22, 2014, is estimated at 364,700 MT , or 5,600 MT higher than for the same period in 2013.

--In the Baltic Sea, the fish catch is slightly up in January 1 - July 22, 2013, and it is estimated at 27,900 MT, as a result of a decrease in the catch of sprat.

--Improved weather conditions in the beginning of the year caused an increase in the catch in the Azov and Black seas in January 1 – July 22, 2014. Fishermen caught 23,400 MT of fish and other seafood in the Azov and Black seas during the period, up 25 percent from the same period in 2013 due to increased sprat catch. The total harvest in Caspian basin was 19,000 MT in January 1-July 22, 2014, 2 percent down that in the same period in 2013.

--Rosrybolovstvo also reported that Russian fishermen caught 192,400 MT of fish in other countries' zones in January 1-July 22, 2014, a decrease of 39,900 MT compared to the same period in 2013; in regions governed by convention and on the open high seas in January 1 – July 22, 2014, the catch was up 4,600 MT versus the same period in 2013 and reached 105,400 MT.

The main species of the Russian wild catch consists of pollack (35-40 percent of total catch). Atlantic and Pacific cod is second in volume with 12 percent of the total, followed by herring with 11 percent. Salmon makes up nine percent of Russian wild catch, but this species is very important due to its high value. Other important catches include mackerel, capelin, Pacific saury, halibuts, haddock and crabs (equating to 23 percent).

Trade

During CY2013, Russia's imports of fish and fish products reached almost \$3.0 billion, a 16 percent increase from 2012. During January-July 2014, Russia imported fish and seafood worth \$1.6 billion in value, almost 5 percent increase over the same period in 2013.

Norway remains the largest supplier of fish products to Russia, with exports of \$535 million in January-July 2014 (32 percent market share), followed by China with \$198 million (12 percent), Belarus with \$116 million (7 percent) and Chile with \$115 million (7 percent).

Fish and seafood imports from the United States rebounded significantly in 2013, and reached a record \$77 million, double the level of 2012. The increase in imports from the United States is mostly attributed to higher imports of salmon roe due to better than expected harvest of salmon in Alaska. Salmon roe imports from the United States reached \$33.4 million in 2013, accounting for a market share of 43 percent share of all fish and seafood imports from the United States.

During January-July, imports of fish and seafood from the United States continued to grow and reached almost \$41 million, or 78 percent increase versus the same period in 2013.

Total Russian exports of fish and seafood in 2013 totaled \$2.6 billion, nearly 10 percent higher than 2012. During January-July 2014, Russia's exports is estimated at \$1.7 billion, a 2 percent increase over the same period in 2013. Russia's primary seafood export markets were concentrated in East Asia, with exports to South Korea totaling \$717 million (41 percent), China \$624 million (36 percent), and \$167 million to Netherlands (10 percent).

There are about 500 fishery hatcheries in Russia that produce farm raised fish. These facilities are part of the state cooperative association called "RosRybKhoz." Most of these facilities are small, with low production capacity. They mostly grow fish in ponds. The main source of income for these farms comes from sport fishing. There are only about 15 large fish farms throughout the country.

The largest fish farms in Russia produce not more than 2,000-4,000 MT annually. Overall production of these farms hardly satisfies demand for fish of neighboring cities. The largest facility is fishery farm named after Abramov, located in Rostov oblast on the Don River, (<http://www.don-fish.ru/content/rybkolkhoz-imeni-iv-abramova>), eighty percent of its production is carp and silver carp. Other large fish farms include: "Klinskiy" in Moscow Oblast (<http://www.fisherklin.com>) which produces carp, pike and bream; "Tsivilskiy" fish farm in the Chuvashiya Republic (<http://rybhoz-civilsk.ru/>) which produces carp, silver and grass carp and stocking material, and the fish farm "Pikhtovka" in Udmurtiya (<http://www.vfish.ru/>) which mostly specializes in carp production.

Traditionally, carp is the predominant species in commercial aquaculture in Russia and its total annual production is estimated at 110,000 MT, or 70 percent of the total production of aquaculture in Russia. Carp is easy to produce and is inexpensive, so favored by consumers. However, today there is a growing trend among consumers toward salmon. Various sources estimate salmon farm production at not more than 20,000 MT annually. Some farms also grow grass carp, silver carp and paddle fish, but mostly for research and/or experimental purposes.

Recently three, new, large fish farms initiated operations in Murmansk Oblast. They are producing Atlantic salmon using Norwegian technologies. In Karelia, a few farms have started to produce trout and about 800 MT of mussels. The regional industry development plan for 2018-2020, has established a goal for twenty new fish farms for the production of salmon and trout, with annual production of 30,000 MT for trout and 70,000 MT for salmon.

It takes about 5 years before pond aquaculture production becomes profitable. Carp reaches commercial weight in 3 years, and trout in 2.5 years. In the Strategy for Fishery Sector Development adopted in 2010, the stipulated target was for the increase in production of farm fish to 260,000 MT by 2012; and up to 410,000 MT by 2020. According to the Strategy, import substitution in salmon was to be achieved by 2016. This goal is not likely to be met.

Conclusion

There are clearly many initiatives under consideration by the government of Russia for development of the fisheries sector. However, from this conference it is clear that there is a great deal of research and strategic analysis that is necessary before Russia can pursue such development plans. Moreover, it is uncertain whether the government will have enough resources to tackle this endeavor or whether fisheries development will be a priority. In the meantime, Russia's fishery sector lags in terms of aquaculture development compared to the rest of the world. Moreover, given the current demand for

substitution, Russia is likely to continue to be dependent on imports in the fisheries sector.